

AR82



**ANNUAL REPORT 2005**





## Highlights 2005

### Income and profits

- Increase in annual revenue of 23%
- Consistent quarterly revenue growth
- Highest Canadian Gaming Sector EBITDA of 53%
- Increase in earnings per unit of 21%

### Balance sheet

- \$12 million added to property, plant and equipment
- Cash Equivalent Balance of \$8.5 million
- Debt to equity ratio of 0.20:1 on minimal debt of \$14.09 million

### Operations

- Boomtown Casino expansion, nearing completion, will double floor area and slot machines during Q1 06.
- Deerfoot Inn & Casino Joint Venture now open and profitable in first month of full operation.

### Distributions and market capitalization

- Increase of 18% in cash distributions to a total of \$2.03/unit.
- Unit trading price closed up \$12.00 per unit for the year to \$37.50 per unit, a gain of 47%

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## Organizational Structure

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### The Fund

Gamehost Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 9, 2003.

### The Trust

Gamehost Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 10, 2003. All of the securities of the Trust are held by the Fund. The trustees of the Trust are also the trustees of the Fund.

### The Limited Partnership

Gamehost Limited Partnership (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership owns the assets and business operations of the Fund. These assets were acquired from Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. through a Plan of Arrangement. The Limited Partnership began operations of the Fund effective June 1, 2003.

### The Manager

The general partner of the Limited Partnership is the Manager (Gamehost Management Inc.). Pursuant to a management agreement (the "Management Agreement") between the Fund and the Manager, the administration and management of the Partnership was delegated to the Manager.

### Units

The Limited Partnership is authorized to issue unlimited numbers of both Class "A" units ("Fund Units") and Class "B" Limited Partnership units ("B Units"). At present, all Fund Units of the Limited Partnership are held through the Trust and all B Units are held by the remaining partners of the Limited Partnership. There are 3,591,051 Fund Units and 3,444,800 B Units of the Limited Partnership issued and outstanding. B Units are exchangeable, on a one-for-one basis, for Fund Units. Holders of Fund Units and holders of B Units have equal voting rights.

## Overview

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The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Fund owns a retail complex (the "Strip Mall") that leases space to separate liquor store, pub and full service restaurant operations. The Fund is also a 40% joint venture partner in Deerfoot Inn & Casino Inc., (the "Deerfoot Joint Venture"), that opened Deerfoot Inn & Casino in Calgary on November 21, 2005.

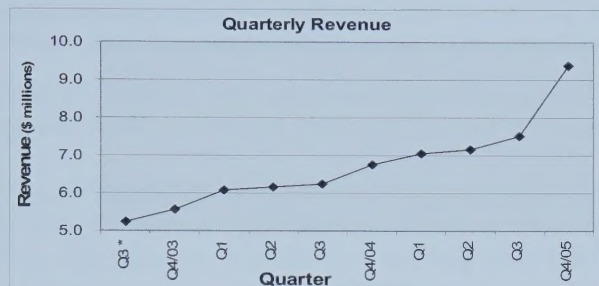
Management believes in a combined entertainment and hospitality model. The model targets the entertainment seeker and social occasional gamer. Clean, inviting venues that deliver live entertainment, lounging and dining, rest and relaxation together with gaming are situated in community based locales.

It is the intent and practice of the Fund to distribute taxable income of the Fund to unit holders by way of cash distributions on a monthly basis.



## To our Unit holders

The Trustees and management of the Fund are pleased to present annual results for the twelve months ended December 31, 2005 (the "Period") and quarterly results for the three months ended December 31, 2005 (the "Quarter").



(\* Initial 4 month quarter x  $\frac{3}{4}$ )

Quarterly revenues rose dramatically on the strength of existing operations and the opening of Deerfoot Inn & Casino on November 21, 2005 in Calgary, Alberta. A strong Alberta economy has kept northern hotel operations at record occupancy levels. Strong employment and wage growth have combined to increase levels of disposable income benefiting all of our gaming operations.

### Nine in a Row

The Fund generated total revenues of \$9.37 million during the Quarter vs. \$7.51 million in Q3 2005 ("Q3"). The Fund has recorded nine consecutive quarters of revenue growth since reporting our first quarter of operations in September of 2003. In comparison to Q3, sales during the Quarter are up 25%. Sales were lifted by the Fund's 40% investment in Deerfoot Inn & Casino which contributed \$1.39 million during its first 40 days of operation. Even so, sales records were broken with the effect of Deerfoot Inn & Casino removed ("Same Store"). Same Store operations sales of \$7.98 million represent an increase of 6.3% or \$471 thousand over Q3.

### Same Store Operations

Hotel occupancy in the north has improved steadily over the course of the Period approaching near full capacity prior to Christmas. This was predominately supported by oil industry clientele and augmented by strong recreational travel on weekends. Reduced vacancies allowed for an increase in the rack rates which added to the boost in revenues. An additional increase will take effect on January 1, 2006. Our gaming, food and beverage business has followed the oil and industrial sector growth trends. Great Northern Casino, Boomtown Casino and Service Plus all recorded record revenue for the Period and Quarter. With all existing properties operating at exceptionally high levels, Same Store EBITDA for the Period and Quarter improved by 2.0% and 5.1% respectively over corresponding prior year periods.

Alberta is experiencing a province wide shortage of workers. Our own challenges in this area have been mitigated somewhat by some tactical increases in wages, finder's fees to existing staff who lead workers to our employ, sponsorship programs for immigrant employees and implementation January 1, 2006 of a new benefit plan targeted to front line workers.

### The Deerfoot Effect

Deerfoot Inn & Casino, in Calgary, opened with a splash on November 21, 2005. The property's Chrome Showroom played host to overflowing visitors for four nights running to introduce the facility to the community. By all accounts, the introduction of this premier entertainment venue was an overwhelming success. Management and staff had little time to breathe before being tested again during a busy Christmas banquet season. During the first 40 days of operation, the facility did \$3.47 million in gross sales to help offset accumulated pre-opening expenses, November grand opening expenses and December operating expenses which are discussed in more detail in our annual report. At the end of the



Period, the combined net loss for the new property was \$1.17 million. The Fund's 40% share of this loss, \$476 thousand, is within a few thousand dollars of expected results and is included in operating results for the Period.

### **Show Me the Money!**

On December 20, 2005, following a consistent monthly pattern of \$0.12 per unit in regular distributions, Trustees declared a special year end distribution of \$0.59 per unit. Together with this special distribution, declared distributions for the Period totaled \$2.03 per unit; an increase of \$0.31 per unit over distributions in 2004.

### **Ending on a High Note**

On December 30, 2005, the final trading day of the calendar year, Gamehost Income Fund units closed at \$37.00 per unit, one dollar off the all time high of \$38.00 per unit set days earlier. At the time of writing, the Fund's units were trading in the range of \$35.00 per unit representing an appreciation of 37% over the approximate closing price of \$25.50 per unit at the end of 2004.

### **What's next?**

Oil industry analysts are predicting record drilling in Alberta for 2006. This bodes well for our hotel and gaming properties which are well positioned to benefit from the high levels of oil industry activity.

In early February, Boomtown Casino opened it's newly renovated side which doubled the floor area. Slot machines and tables were moved to the new space from the existing adjoining space and work has begun to update the original floor area we have operated out of since the Fund's inception. Additional slot machines planned for the expanded space will be in place toward the middle of March 2006. Patrons have already made positive comments regarding the improved facility. The completed project should generate favorable financial results throughout 2006 and beyond.

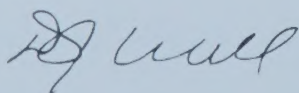
Deerfoot Inn & Casino began a new phase of operations on January 1, 2006. The pre-opening and initial weeks of operation has provided management with some insights into the potential for the property. Departmental baselines have been established and management's focus has now shifted to increasing business volume through ongoing marketing efforts and improving operating efficiencies.

The new Deerfoot Inn & Casino and our expanded Boomtown Casino hold much potential as do all of our properties. We are excited about what the future holds for the Fund. We want to personally thank our management and staff. They are a talented, creative and dedicated group who continues to prove that they are the key to unlocking this potential.

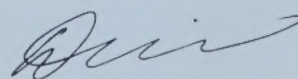
To you, our unit holders, the Gamehost story has been a good one. Don't put the book down yet! The next pages look equally interesting. Thank you for your continued support.

February 23, 2006.

Sincerely,



David J. Will  
President and Chief Executive Officer  
Gamehost Management Inc.



Darcy J. Will  
Vice President  
Gamehost Management Inc.



## Management Discussion and Analysis for the three and twelve month periods, ended December 31, 2005

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This discussion should be read in conjunction with the reported financial results for the twelve month period ended December 31, 2005 (the "Period"). Consolidated financial statements for the Period have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

### Caution to the Reader

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Quarterly figures and comparisons contained in this management discussion and analysis have not been independently audited or reviewed by the Fund's external auditors.

This management discussion and analysis may make reference to earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is a non-GAAP measure and is provided for information only. EBITDA calculations should not be relied upon as a sole measure of performance.

This management discussion and analysis uses the term "Same Store" for the purpose of providing additional and separate comparative results which exclude the impact of the Fund's investment in Deerfoot Inn & Casino. Results from the start of operations of Deerfoot Inn & Casino (the "Deerfoot Joint Venture") have had a significant impact on over all operating results during the three months ended December 31, 2005 (the "Quarter") and to a lesser extent during the previous three months ended September 30, 2005.

This management discussion and analysis may contain forward-looking statements. Forward-looking statements may contain words such as "anticipates", "believes", "could", "expects", "indicates", "plans" or other similar expressions that suggest future outcomes or events. Use of these statements reflect reasonable assumptions made on the basis of management's current beliefs with information known by management at the time of writing. Many factors could cause actual results to differ from the results discussed in forward-looking statements. Actual results may not be consistent with these forward-looking statements.

### Disclosure Controls

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Disclosure controls and procedures have been designed to provide the Manager with reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to the Manager by others within those entities, particularly during the period in which the annual filings are being prepared.

Certifying officers of the Manager have evaluated those controls and procedures and concluded that they are operating effectively. All material information relating to the issuer and its consolidated subsidiaries has been made known to the Manager during the preparation of the annual financial statements and that information has been included in the reported results for the Period.

## Quarterly Performance Summary

Quarterly Performance	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	\$9,374	\$7,514	\$7,150	\$7,048	\$6,745	\$6,251	\$6,175	\$6,076
Expenses	\$5,133	\$3,270	\$3,092	\$3,163	\$3,216	\$2,732	\$2,740	\$2,804
EBITDA	\$4,241	\$4,244	\$4,058	\$3,885	\$3,529	\$3,519	\$3,435	\$3,272
EBITDA %	45.2%	56.5%	56.8%	55.1%	52.3%	56.3%	55.6%	53.8%
Net earnings	\$3,858	\$4,009	\$3,824	\$3,650	\$3,268	\$3,263	\$3,179	\$3,015
earnings per unit <sup>1</sup>	\$0.548	\$0.570	\$0.543	\$0.519	\$0.465	\$0.464	\$0.452	\$0.429

Adjusted to same store	2005	
	Q4	Q3
Total revenue	\$7,984	\$7,514
Expenses	\$3,542	\$3,162
EBITDA	\$4,443	\$4,352
EBITDA %	55.6%	57.9%
Net earnings	\$4,180	\$4,117
earnings per unit <sup>1</sup>	\$0.594	\$0.585

(in thousands of dollars unless stated otherwise)

<sup>1</sup> Basic and fully diluted

Operating losses from the Deerfoot Joint Venture explain the lower EBITDA results for the Quarter. Net earnings are reduced due to higher than anticipated depreciation including the Deerfoot Joint Venture.



## Revenues

Since the first reporting quarter of Q3 2003, the Fund has increased revenues for nine consecutive quarters. Even without the favorable impact of the newly opened Deerfoot Joint Venture, operations experienced exceptionally strong customer activity to easily surpass the previous Same Store levels for total revenue set in Q3 2005.

Total Revenue	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
	31,085.5	25,246.4	23.1%	9,373.9	6,744.9	39.0%	7,513.6	24.8%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
	29,695.8	25,246.4	17.6%	7,984.2	6,744.9	18.4%	7,513.6	6.3%

(in thousands of dollars unless stated otherwise)

## Hotel Rooming Revenue

Rooming includes both guest and meeting room sales at Service Plus and the Deerfoot Joint Venture.

Hotel - Rooming	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Rooming	4,041.8	3,283.1	23.1%	1,176.1	857.5	37.2%	1,012.0	16.2%
Occupancy	81.6%	74.7%	6.9%	76.3%	77.4%	(1.0%)	88.2%	(11.9%)
Average Rate	\$103.77	\$97.27	6.7%	\$106.95	\$97.41	9.8%	\$102.74	4.1%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Rooming	3,917.3	3,283.1	19.3%	1,051.7	857.5	22.6%	1,012.0	3.9%
Occupancy	85.1%	74.7%	10.4%	88.9%	77.4%	11.5%	88.2%	0.7%
Average Rate	\$102.95	\$97.27	5.8%	\$104.12	\$97.41	6.9%	\$102.74	1.3%

(in thousands of dollars unless stated otherwise)

The Deerfoot Joint Venture experienced 30% occupancy levels during the first 40 days of operation as expected. The lower occupancy rates at the Deerfoot Joint Venture compared to Same Store operations reduced overall occupancy for the Fund.

Service Plus improved on an exceptional third quarter with higher average daily rates (ADR) resulting from a rate increase in September 2005 and occupancy rates pushing the 90% range during the Quarter.

## Table Game Revenue

Table play and revenue sharing is regulated in Alberta by the Alberta Gaming and Liquor Commission. In general terms, Drop is the total amount of money anted and bet by players at most table games. Hold is the amount won from the drop at each table. Hold as a percentage of the drop will fluctuate. The hold is shared in varying percentages between charities and the casino operator dependant on the size and location of the casino. The game of Poker has a pot rather than a drop. The pot is the total amount anted and bet by players at a poker table. Rake is the total amount of the pot that is retained by the table and is usually a flat fee for each hand played. Rake is shared 25%/75% by the charity and casino operator



respectively. Financial statements of the Fund report only the net table win being the operator's portion of the hold or rake.

Table Games	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
All Others	4,012.3	4,000.4	0.3%	1,173.0	954.6	22.9%	927.4	26.5%
Poker	366.4	204.0	79.6%	115.4	73.2	57.8%	67.6	70.8%
Caribbean Stud	217.2	-	-	53.1	-	-	48.5	9.4%
	4,595.9	4,204.4	9.3%	1,341.5	1,027.8	30.5%	1,043.5	28.6%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
All Others	3,803.5	4,000.4	(4.9%)	964.2	954.6	1.0%	927.4	4.0%
Poker	328.7	204.0	61.1%	77.7	73.2	6.3%	67.6	15.0%
* Caribbean Stud	217.5	-	-	53.3	-	-	48.5	10.0%
	4,349.7	4,204.4	3.5%	1,095.2	1,027.8	6.6%	1,043.5	5.0%

(in thousands of dollars unless stated otherwise)

\* Note – The breakdown in reporting of all table games is not truly comparative as Caribbean stud was not recorded separate from other games in all quarters of the prior year.

Table games are extremely popular at the new Deerfoot Joint Venture property making up 39% of total gaming revenue compared to 24% for Same Store properties. The impact of this strong table action at the Deerfoot Joint Venture is clearly evident in comparative figures between the Quarter and the previous quarter. Poker continues to rise in popularity at all of the Fund's properties.

The Deerfoot Joint Venture injected "seed" monies to the Caribbean jackpot account in order to attract players. Seed money is treated as a reduction to revenue and as a result has reduced reported revenue.

Tables (# of)	at the end of Q4			Previous Quarter	
	2005	2004	+(-)	Q3 2005	+(-)
* All Others	35.0	25	10.0	25	10.0
* Poker	8.2	5	3.2	5	3.2
* Caribbean Stud	2.4	2	0.4	2	0.4
*	45.6	32	13.4	32	13.4

\* Note – fractional table figures result through the proportionate consolidation of the Deerfoot Joint Venture tables.

## Slot Machine Revenue

The Fund's portion of an additional 600 slot machines at the Deerfoot Joint Venture provided a boost to overall slot revenues. Slot play was very strong as well on a Same Store measure. Both Boomtown and Great Northern casinos generated record slot revenue during the Quarter and Period.

Slot Machine	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Revenue	14,130.4	11,384.7	24.1%	4,089.7	3,037.9	34.6%	3,570.9	14.5%
Machines <sup>1</sup>	834	582	252	834	582	252	594.0	240



Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Revenue	13,746.0	11384.7	20.7%	3,705.4	3,037.9	22.0%	3,570.9	3.8%
Machines <sup>1</sup>	594	582	12	594	582	12	594.0	-

(in thousands of dollars unless stated otherwise)

<sup>1</sup> # of machines at end of month

## Food & Beverage ("F&B") Revenue

Food & mix and liquor sales are up significantly for the Period and Quarter with the contribution made by the Deerfoot Joint Venture. A change in contractors providing food service at Great Northern Casino and a general increase in patron traffic has resulted in a strong increase in food & mix sales at Same Store operations.

F & B Revenue	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Food & mix	1,137.60	661.4	72.00%	569.4	207.3	174.70%	196.8	189.30%
Liquor	4,399.50	3,389.50	29.80%	1,403.70	991.5	41.60%	1,011.80	38.70%
	5,537.10	4,050.90	36.70%	1,973.10	1,198.80	64.60%	1,208.60	63.30%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Food & mix	829.9	661.4	25.50%	261.7	207.3	26.20%	196.8	33.00%
Liquor	4,166.90	3,389.50	22.90%	1,171.10	991.5	18.10%	1,011.80	15.70%
	4,996.80	4,050.90	23.30%	1,432.80	1,198.80	19.50%	1,208.60	18.60%

The Deerfoot Joint Venture is the only Fund property earning margins from food sales. Same Store properties earn only a commission from 3<sup>rd</sup> party operators. This margin contribution from the Deerfoot Joint Venture dramatically increases overall reported food & mix margin in dollars for both the Period and Quarter.

While the Deerfoot Joint Venture has improved food & mix margin percentage, it has had a minor negative effect on combined margin percentage. This is the result of changes in the product mix. The Deerfoot Joint Venture has a higher component of lower margin food & mix sales in relation to higher margined liquor sales as compared to Same Store operations.

F&B Margins	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Food & mix	22.30%	15.10%	7.20%	32.20%	16.00%	16.20%	13.10%	19.10%
Liquor	72.70%	71.90%	0.80%	73.70%	72.20%	1.50%	72.40%	1.30%
Total	62.30%	62.50%	-0.20%	61.70%	62.50%	-0.80%	62.70%	-0.40%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Food & mix	11.50%	15.10%	-3.60%	9.60%	16.00%	-6.30%	13.10%	-3.50%
Liquor	72.60%	71.90%	0.60%	73.40%	72.20%	1.20%	72.40%	1.00%
Total	62.40%	62.50%	-0.10%	61.70%	62.50%	0.20%	62.70%	-0.30%

(in thousands of dollars unless stated otherwise)

## Lease and Rental Revenue

Lease and rental revenue is derived from three leases in the Strip Mall as well as lease and rental revenues generated within the casinos from 3<sup>rd</sup> party providers of on-premise food services. All three tenants at the Strip Mall are in their final renewal term which expires in either 2008 or 2009. The Deerfoot Joint Venture has no lease and rental revenue.

Lease & Rental	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>288.4</b>	281.4	2.5%	<b>66.4</b>	62.5	6.2%	73.5	(9.7%)

(in thousands of dollars unless stated otherwise)

The small revenue gains posted in 2005 vs. 2004 reflect the recovery of higher common area costs. A reduction in revenues for the Quarter versus the previous quarter is due to the annual adjustment in common area costs charged to tenants of the Strip Mall. Common area costs are estimated for billing purposes at the start of the calendar year and adjusted to actual at year end. The resulting adjustment produced a credit owing to the tenants for 2005.

## Other Revenue

Other revenue includes automated teller fees, lottery ticket sales, movie rentals, cigarette sales, ticket revenue and other miscellaneous service revenues at casinos and hotels.

Other	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>2,492.0</b>	2,041.9	22.0%	<b>727.1</b>	560.4	29.7%	602.2	20.7%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>2,397.6</b>	2,041.9	17.4%	<b>632.7</b>	560.4	12.9%	602.2	5.1%

(in thousands of dollars unless stated otherwise)

Contributions from ATM machines in place at the Deerfoot Joint Venture account for the majority of reported other revenue gains for the Quarter. ATM's produced record revenues during the Quarter at both Great Northern Casino and Boomtown Casino. A number of other contributors in the other revenue category are also up, most notably cigarette sales and miscellaneous guest charges from the Deerfoot Joint Venture.



## Expenses

### Total Expenses

Start up costs and initial weeks of operation in the Deerfoot Joint Venture resulted in higher overall costs to the Fund as a % of total Fund revenue. All pre-opening costs, November grand opening costs and December 2005 operating costs of Deerfoot Joint Venture have been expensed to operations. Same Store total expenses expressed as a percentage of total revenues continue a trend lower due during the Period to the fixed components of total expenses against revenue growth.

Expenses	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>14,657.1</b>	11,491.5	27.5%	<b>5,133.2</b>	3,216.5	59.6%	3,269.5	57.0%
<b>% of Revenues</b>	<b>47.2%</b>	45.5%	1.6%	<b>54.8%</b>	47.7%	7.1%	43.5%	11.2%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>12,921.9</b>	11,491.5	12.4%	<b>3,455.8</b>	3,216.5	7.4%	3,269.5	5.7%
<b>% of Revenues</b>	<b>43.5%</b>	45.5%	(2.0%)	<b>43.3%</b>	47.7%	(4.4%)	43.5%	(0.2%)

(in thousands of dollars unless stated otherwise)

### Human Resources

General administrative salaries, Trustee and management fees, benefit costs, payroll taxes and other miscellaneous costs are all combined under this heading.

Human Resources	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Operations</b>	<b>6,080.3</b>	4,993.2	21.8%	<b>2,160.2</b>	1,316.2	64.1%	1,301.8	6.5.8%
<b>General admin</b>	<b>560.0</b>	358.3	56.3%	<b>169.3</b>	90.7	86.5%	169.3	(0.0%)
<b>Trustee fees</b>	<b>161.5</b>	150.5	-	<b>38.8</b>	150.5	-	32.0	21.1%
<b>Management fees</b>	<b>335.2</b>	283.4	18.3%	<b>92.2</b>	80.9	14.0%	93.0	(0.8%)
<b>Total</b>	<b>7,137.0</b>	5,785.4	23.4%	<b>2,460.5</b>	1,638.3	50.2%	1,596.1	54.2%
<b>% of Revenues</b>	<b>23.0%</b>	22.9%	0.1%	<b>26.2%</b>	24.3%	2.0%	21.2%	5.0%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>6,222.6</b>	5,785.4	7.6%	<b>1,586.2</b>	1,638.3	(3.2%)	1,556.0	1.9%
<b>% of Revenues</b>	<b>20.0%</b>	22.9%	(2.9%)	<b>16.9%</b>	24.3%	(7.4%)	20.7%	(3.8%)

(in thousands of dollars unless stated otherwise)

Overall human resources costs were higher in the Period due to the impact of the Fund's interest in the Deerfoot Joint Venture. A significant portion of pre-opening and initial operating expenses of the Deerfoot Joint Venture were salaries and wages. These included managers and supervisors on payroll for the months prior to the opening, training costs, additional staff for grand opening events and Christmas banquets as well as general overstaffing to ensure favorable first impressions about the level of customer service. These costs, to November 30, 2005, are recorded under the heading General admin. Beginning in December 2005, the operational portion of Deerfoot Joint Venture human resource costs is separated from General admin. These increased costs were partially offset by further improvement in human

resource costs as a percentage of sales at Same Store operations. Same Store improvements in human resource costs as a percentage of sales during the Period are a direct result of strong revenue growth.

Management fees from the general partner of the Partnership are paid monthly based on profitability estimates established at the start of the year and adjusted as profitability estimates are revised or actual profitability is known. Fees for the Period are up compared to 2004 as a result of improved EBITDA performance. The Deerfoot Joint Venture is also subject to management fees payable to the Manager of the Deerfoot Joint Venture based in part on revenue and profitability. These fees commenced in November 2005.

## Marketing and Promotions

Marketing and promotions include all donations, sponsorships and complementary services offered at properties in addition to sales and advertising expenses.

Marketing	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>812.7</b>	693.5	17.2%	<b>296.7</b>	209.2	41.8%	186.8	58.8%
<b>% of Revenues</b>	<b>2.6%</b>	2.7%	(0.1%)	<b>3.2%</b>	3.1%	0.1%	2.5%	0.7%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>683.8</b>	693.5	(1.4%)	<b>173.6</b>	209.2	(17.0%)	180.9	(4.0%)
<b>% of Revenues</b>	<b>2.2%</b>	2.7%	(0.5%)	<b>1.9%</b>	3.1%	(1.2%)	2.4%	(0.6%)

Marketing and promotion costs remained relatively flat as a percentage of total revenues. The added costs expected for the heavy promotion of the Deerfoot Joint Venture operations were offset proportionately by reductions of such costs in the Same Store operations. The Alberta economy has afforded an opportunity to forego some advertising expenses that would otherwise be required to maintain business volume.

## Operating Costs

Some of the more significant expenditures in this classification include entertainers, premises leases, repairs & maintenance, utilities and operating supplies.

Operating	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>3,330.4</b>	2,650.6	25.6%	<b>1,154.7</b>	785.0	47.1%	763.5	51.2%
<b>% of Revenues</b>	<b>10.7%</b>	10.5%	0.2%	<b>12.3%</b>	11.6%	0.7%	10.2%	2.2%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>3,046.6</b>	2,650.6	14.9%	<b>873.6</b>	785.0	11.3%	760.8	14.8%
<b>% of Revenues</b>	<b>9.8%</b>	10.5%	(0.7%)	<b>9.3%</b>	11.6%	(2.3%)	10.1%	(0.8%)

(in thousands of dollars unless stated otherwise)

Overall operating costs are higher due to the startup operations of the Deerfoot Joint Venture. A significant factor in this was the entertainment booked to the Chrome showroom during grand opening week. The overall increase in operating costs as a percentage of revenue was partially offset by an improvement in the Same Store operations. Again, this is largely attributed to strong revenue growth and economies of scale.



## General and Administrative

General and administrative expenditures include professional fees, insurance, property and business taxes, corporate travel, interest charges and other less significant expenses.

General & admin	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>1,161.1</b>	717.3	61.9%	<b>423.5</b>	101.8	316.2%	241.8	75.1%
<b>% of Revenues</b>	<b>3.7%</b>	2.8%	0.9%	<b>4.5%</b>	1.5%	3.0%	3.2%	1.3%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>974.3</b>	717.3	35.8%	<b>245.4</b>	101.8	141.1%	233.1	5.3%
<b>% of Revenues</b>	<b>3.1%</b>	2.8%	0.3%	<b>2.6%</b>	1.5%	1.1%	3.1%	(0.5%)

(in thousands of dollars unless stated otherwise)

General and administrative expenses are up across the board as a result of the pre-opening and startup expenses of the Deerfoot Joint Venture. Significant Same Store increases can be attributed to higher corporate travel costs, interest expenses that prior to December 2005 were being capitalized, legal and professional fees and higher corporate office rent since taking on additional space mid year.

## Depreciation and Amortization

Reductions in comparative amortization is due to declining book values of the assets as a result of amortizations recorded in prior years. Additional depreciations for the new Deerfoot Joint Venture assets offset these reductions.

Amortizations	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>1,088.1</b>	1,028.4	5.8%	<b>383.0</b>	259.7	47.5%	235.0	63.0%
<b>% of Revenues</b>	<b>3.5%</b>	4.1%	(0.6%)	<b>4.1%</b>	3.9%	0.2%	3.1%	1.0%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total</b>	<b>967.8</b>	1,028.4	(5.9%)	<b>262.7</b>	259.7	1.1%	235.0	11.8%
<b>% of Revenues</b>	<b>3.1%</b>	4.1%	(1.0%)	<b>2.8%</b>	3.9%	(1.0%)	3.1%	(0.3%)

(in thousands of dollars unless stated otherwise)

## Facilities

Computers, small furnishings and some small leasehold improvements make up capital maintenance expenditures during the Period. Capital expansion expenditures for Quarter four for the Boomtown Casino totaled \$1.27 million with the remaining capital expansion expenditure totaling \$4.01 million attributed to the Deerfoot Joint Venture project. These same two projects account for all capital expansion spending for the Period.

Capital Expenditures	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Maintenance	161.7	20.4	694.5%	51.2	79.4	(35.4%)	52.0	(1.4%)
Expansion	12,889.0	5,969.2	115.9%	5,279.8	3,646.6	44.8%	2,813.9	86.7%
	13,050.7	5,989.6	117.9%	5,331.0	3,726.0	43.1%	2,865.9	86.0%

Adjusted to Same Store	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Maintenance	161.7	20.4	694.5%	51.2	79.4	(35.4%)	52.0	(1.4%)
Expansion	1,534.7	2.2	-	1,266.9	2.2	-	182.5	594.2%
	1,696.4	22.6	-	1,318.1	81.6	-	234.5	462.2%

(in thousands of dollars unless stated otherwise)



## Deerfoot Joint Venture

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Projected total costs for the Deerfoot Joint Venture project total \$43.31 million. Actual costs are expected to exceed the original budget by \$3.0 million or 7.4%. The Fund's Contributing Interest percentage of these additional costs totals \$1.43 million.

In our 3<sup>rd</sup> Quarter report to Unit holders, we projected the Deerfoot Joint Venture to accumulate a total net cash loss to December 31, 2005 of \$1.5 million. December, the first full month of operations for the Deerfoot Joint Venture, produced more favorable results than anticipated. The actual accumulated net cash loss to December 31, 2005 totaled \$867 thousand of which the Fund's Participating Interest portion totals \$347 thousand.

On March 8, 2006, the Fund received, what is believed to be, the final Assessment Notice in the amount of \$151,524 for land, construction costs and initial working capital required by the Deerfoot Joint Venture. The Assessment Notice is in proportion to the Fund's Contributing Interest Responsibility.

## Financial Condition

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### Liquidity and Capital Resources

Assets totaled \$92.4 million for the Fund at the end of the Quarter, an increase of \$5.8 million for the Period. Cash and cash equivalents totaled \$8.5 million, up \$213 thousand for the Period.

The Fund secured an additional \$2.0 million on its previously arranged \$7.0 million in term financing for a total of \$9 million from the Canadian Western Bank ("CWB"). The loan is secured by the Fund's casino and hotel assets in Grande Prairie. Interest on the term loan floats at 1.5% above the CWB prime lending rate. The loan will mature in May of 2007. The loan agreement stipulates interest only payments to maturity and includes penalties for early repayment. At December 31, 2005, the Fund has drawn \$4.8 million of this loan. The balance of this loan, \$4.2 million, was advanced in January of 2006.

The Fund is required by the Alberta Gaming and Liquor Commission to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP") to support its gaming operations. Available credit remaining on the \$9 million credit facility with CWB is considered working capital for the purpose of calculating MCNWCP.

The Deerfoot Joint Venture has a \$24.0 million loan facility from CWB. The loan is secured by the Deerfoot Joint Venture's land and building. The Loan covering the interim period of construction matures on March 31, 2006 and stipulates interest only payments 1.5% above the CWB prime lending rate. Following maturity, two options are available to the Deerfoot Joint Venture. The first, a floating interest rate at 1.0% above CWB prime, which at the time of writing is 5.25%, requires monthly payments of \$205,874. There are no prepayment penalties with this option. A second option stipulates a five year fixed rate of 5.9%, and monthly payments of \$201,285. This option has prepayment penalties. As of December 31, 2005, \$23,230,088 had been drawn on the loan with the balance of the full \$24 million being drawn in late January 2006. The Fund's portion of this loan is 40% or \$9.6 million.

The Fund, through Gamehost Limited Partnership has provided a guarantee to Royal Bank of Canada ("RBC") for its share, 54.42%, of a \$1.85 million line of credit taken by DJ Will Holdings Limited. The guarantee represents the Fund's Contributing Interest Responsibility for additional debt financing provided to the Deerfoot Joint Venture.



## Distributable Cash

The Fund's mandate is to make consistent monthly cash payments to unit holders based on management's projections of the year's distributable cash. Distributable cash is defined as net income determined in accordance with Canadian GAAP, subject to certain adjustments as set out in the Declaration of Trust, including:

- a) adding the following items: amortization on property, plant & equipment, future income tax expense and losses on dispositions of assets; and
- b) deducting the following items: future income tax credits, gains on dispositions of assets and capital maintenance expenditures.

Other adjustments may be made to distributable cash as determined by a majority of the Trustees in their discretion. It is the intention of the Fund trustees to distribute sufficient income from the Fund so that the Fund will not have any liability for tax under Part I of the Income Tax Act.

The Fund announced monthly distributions of \$0.12 per unit for each month during the Period. In addition, on December 20, 2005, the Fund declared a special year end distribution of \$0.59 per unit. Total distributions declared for the Period were \$2.03 per unit. Declared distributions are paid on or about the 15<sup>th</sup> of the month following declaration.

Summary of Distributable Cash	Q4 (twelve months)		Q4 (three months)	
	2005	2004	2005	2004
Net earnings	\$ 15,340,337	\$ 12,726,463	\$ 3,857,739	\$ 3,268,724
Add:				
Amortization of property, plant & equipment	1,088,115	1,028,430	383,014	259,700
Cash generated	\$ 16,428,452	\$ 13,754,893	\$ 4,240,753	\$ 3,528,424
Cash generated/unit	\$ 2.335	\$ 1.955	\$ 0.603	\$ 0.501
Distributions declared	\$ 14,282,778	\$ 12,101,664	\$ 6,684,058	\$ 4,502,945
Distributions declared/unit	\$ 2.030	\$ 1.720	\$ 0.950	\$ 0.640
Cash in excess of distributions	\$ 2,145,675	\$ 1,653,229	(\$ 2,443,305)	(\$ 974,521)
Cash in excess of distributions/unit	\$ 0.305	\$ 0.235	(\$ 0.347)	(\$ 0.139)
Less:				
Capital maintenance expenditures	161,742	( 20,359)	51,245	79,374
Cash surplus for the Period	\$ 1,983,932	\$ 1,673,589	(\$ 2,494,551)	(\$ 1,053,895)
Cash surplus	\$ 0.282	\$ 0.238	(\$ 0.355)	(\$ 0.150)

## Business Risks and Outlook

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The expansion to Boomtown Casino is nearing completion. Total project costs including fixturing are expected to be \$2.2 million. The expansion includes 193 additional slot machines that will bring the facility total to 399 machines on completion. The expansion is expected to add a further 20 to 23 full time and part time positions. Labor and housing shortages in the Ft. McMurray area are a concern as we approach the period for staffing. There is already a shortage of dealers affecting our ability to open all gaming tables on a consistent basis. Foreign worker applications, pay increases and a benefit plan are all being implemented to resolve the shortages. Management has also stepped up its dealer training programs which already look like they will yield favorable results.

Smokeless workplace initiatives have not yet impacted any of our operating facilities. The potential, however, for these pressures to mount in our locations does exist. We are monitoring the situation closely and studying the resulting impact in other locals. The initial negative impact to competing casino operators has certainly softened as patrons resolve themselves to the new regulations.

Alberta Gaming and Liquor Commission is in the midst of a pilot project to evaluate Ticket In/Ticket Out ("TITO") systems on slot machines. Based on the evaluation of TITO, Alberta Gaming and Liquor Commission may embark on a planned retrofit of all slot machines in the province. Experience elsewhere in the industry suggests that there will be initial reluctance to use these new type machines. It should also be noted that the lower play is short lived. The TITO system will eventually provide opportunities for reduced labor expenses to the operator. Many major North American casinos now use this technology.

The Deerfoot Joint Venture, in which the Fund is a 40% partner, continues to work on operating efficiencies and has begun to tailor marketing programs designed to take advantage of the unique market area. Daily sales results have already begun to show a definite trend upwards from a stronger than expected start.

February 22, 2006



## Auditors Report

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### To the Unitholders of Gamehost Income Fund

We have audited the consolidated balance sheets of Gamehost Income Fund ("the Fund") as at December 31, 2005 and 2004 and the consolidated statements of unit holders' equity, consolidated statements of operations and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its changes in unit holders' equity, operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Heywood Helmer & Partners LLP*

Chartered Accountants

Red Deer, Alberta  
February 2, 2006

# Consolidated Balance Sheets

(Audited)

	December 31, 2005	December 31, 2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,528,002	\$ 5,238,021
Accounts receivable	854,230	431,643
Current portion of notes receivable	26,450	24,423
Inventories	227,889	82,688
Prepaid expenses and deposits	359,906	36,544
Due from related parties	-	216,522
	9,996,477	6,029,841
Note receivable (Note 5)	87,464	113,914
Property, plant and equipment (Note 6)	36,240,215	24,277,603
Licenses (Note 7)	3,500,000	3,500,000
Goodwill	42,579,216	42,579,216
	<u>\$ 92,403,372</u>	<u>\$ 76,500,574</u>
<b>Liabilities and unit holder equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,393,501	\$ 2,562,501
Term loan (Note 8)	4,800,000	2,300,000
Project loan (Notes 13 and 17)	9,292,035	-
Due from related parties (Notes 9 and 17)	35,481	-
Unit holder distributions payable	4,995,454	2,814,340
	22,516,471	7,676,841
Class B limited partnership units (Note 11)	35,358,688	38,306,640
	57,875,159	45,983,481
Unit holders' equity (Note 12)	34,528,213	30,517,093
	<u>\$ 92,403,372</u>	<u>\$ 76,500,574</u>

Commitments and contingencies (Note 13)

Guarantees (Note 15)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



David J. Will, Trustee



Darcy, J. Will, Trustee



## Consolidated Statements of Unit holders' Equity

*(Audited)*

	twelve months ended December 31		<i>(Un-audited)</i> three months ended December 31	
	2005	2004	2005	2004
Balance at the beginning of the period	\$ 30,517,093	\$ 30,200,980	\$ 35,968,158	\$ 31,086,863
Unit class conversions (Note 12)	3,567,752	-	2,589	-
Reorganization costs	-	27,679	-	-
Net income	7,527,402	5,875,082	1,968,964	1,508,983
Distributions to unit holders	(7,084,034)	(5,586,648)	(3,411,498)	(2,078,753)
Balance at the end of the period	<u>\$ 34,528,213</u>	<u>\$ 30,517,093</u>	<u>\$ 34,528,213</u>	<u>\$ 30,517,093</u>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Operations

(Audited)

	twelve months ended December 31		(Un-audited) three months ended December 31	
	2005	2004	2005	2004
Revenue				
Hotel – rooming	\$ 4,041,755	\$ 3,283,118	\$ 1,176,106	\$ 857,505
Table games	4,595,892	4,204,401	1,341,509	1,027,725
Slot machines	14,130,394	11,384,681	4,089,723	3,037,910
Food and beverage services	5,537,074	4,050,914	1,973,083	1,198,812
Lease and rental	288,374	281,373	66,390	62,530
Other	2,492,027	2,041,939	727,125	560,434
	<u>31,085,516</u>	<u>25,246,426</u>	<u>9,373,936</u>	<u>6,744,916</u>
Expenses				
Cost of goods sold	2,215,861	1,644,678	797,733	482,195
Human resources	7,137,017	5,785,418	2,460,518	1,638,299
Marketing and promotions	812,727	693,489	296,725	209,232
Operating	3,330,383	2,650,642	1,154,715	785,003
Corporate and general administration	1,161,076	717,306	423,492	101,763
	<u>14,657,064</u>	<u>11,491,533</u>	<u>5,133,183</u>	<u>3,216,492</u>
Earnings before amortization and income allocation to Class B Limited Partners	16,428,452	13,754,893	4,240,753	3,528,424
Amortization	(1,088,115)	(1,028,430)	(383,014)	(259,700)
Income allocation to Class B Limited Partners	<u>(7,812,935)</u>	<u>(6,851,381)</u>	<u>(1,888,775)</u>	<u>(1,759,741)</u>
Net income	<u>\$ 7,527,402</u>	<u>\$ 5,875,082</u>	<u>\$ 1,968,964</u>	<u>\$ 1,508,983</u>
Earnings per unit				
* Weighted average and fully diluted	<u>\$ 2.180</u>	<u>\$ 1.809</u>	<u>\$ 0.548</u>	<u>\$ 0.465</u>

\* Based on total net earnings before income allocation to Class B Limited Partners against total units (all classes) issued and outstanding.

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

(Audited)

	twelve months ended December 31		(Un-audited) three months ended December 31	
	2005	2004	2005	2004
Cash provided by (used for) operations				
Net income	\$ 7,527,402	\$ 5,875,082	\$ 1,968,964	\$ 1,508,983
Add non-cash items:				
Allocation of net income to class B limited partners	7,812,935	6,851,381	1,888,775	1,759,741
Amortization of property, plant and equipment	1,088,115	1,028,430	383,014	259,700
	16,428,452	13,754,893	4,240,753	3,528,424
Net changes in non-cash working capital:				
Accounts receivable	(422,587)	126,085	(352,622)	(139,340)
Inventories	(145,201)	(20,534)	(114,769)	(6,634)
Prepaid expenses	(323,362)	28,811	(164,757)	117,957
Accounts payable and accrued liabilities	(927,971)	386,621	(2,254,845)	(84,405)
	14,609,331	14,275,876	1,353,760	3,416,002
Financing				
Advances to/from related parties	255,336	(380,994)	38,814	(207,536)
Advances from term loan	2,500,000	2,300,000	1,000,000	2,300,000
Advances from project loan	9,292,035	-	2,157,660	-
Reorganization costs	-	27,679	-	-
Proceeds from collection of notes receivable	24,423	(32,934)	6,210	(53,898)
Distributions to Class B Limited Partners	(6,268,056)	(5,435,493)	(2,341,873)	(1,363,608)
Unit holder distributions	(5,833,608)	(4,660,954)	(191,035)	(1,169,299)
	(29,870)	(8,182,696)	669,776	(494,341)
Investments				
Property, plant and equipment	(11,289,480)	(4,962,110)	(1,810,838)	(2,698,565)
	(11,289,480)	(4,962,110)	(1,810,838)	(2,698,565)
Increase in cash and cash equivalents	3,289,981	1,131,070	212,698	223,096
Opening cash and cash equivalents	5,238,021	4,106,951	8,315,304	5,014,925
Closing cash and cash equivalents	\$ 8,528,002	\$ 5,238,021	\$ 8,528,002	\$ 5,238,021
Supplemental cash flow information:				
Interest paid	\$ 71,073	\$ 6,009	\$ 70,629	\$ 5,729

## Non monetary transaction:

\$1,758,971 in development costs payable are presented in this statement not as accounts payable and accrued liabilities but a reduction to Investments in Property, plant and equipment for both the Period and Quarter. This correctly reflects the cash components of these investments.

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 1. Basis of Preparation

The consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

Consolidated financial results include the activities of the Fund, the Trust, the Limited Partnership with all its operating divisions and the Fund's proportionate share of the activities of the Deerfoot Joint Venture.

## 2. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year method of presentation.

## 3. Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of wholly owned subsidiaries, partnerships and trusts and its proportionate share of a joint venture. All significant accounts and transactions between consolidated entities are eliminated.

### Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Estimates are used when accounting for such items and matters as long-term contracts, allowance for doubtful accounts, inventory obsolescence, amortization, employee benefits, impairment of long-lived assets, accrued liabilities, intangibles and contingencies.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and credit card accounts. US dollar balances have been converted to Canadian equivalents using exchange rates at December 31, 2005.

### Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by using the first-in, first-out method.

### Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on their estimated useful life using the following rates and methods:



# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 3. Significant Accounting Policies (cont.)

Land improvements	- 2% straight line
Buildings	- 4% - 5% reducing balance
Leaseholds	- 5 to 10 years straight line
Furniture, fixtures and equipment	- 20% - 45% reducing balance

### Goodwill and licenses

Goodwill and licenses with indefinite useful lives will not be amortized but tested annually for impairment. The Fund reviews the goodwill and licenses annually to determine if the carrying amounts exceed its fair value. Where the carrying value exceeds its fair value, a charge against net income is recorded in the period in which the impairment occurred. Based on management's review, the Fund does not believe that impairment in the carrying value of the goodwill and licenses has occurred and no provision for impairment has been recorded in these financial statements.

### Long lived assets

Long-lived assets consist primarily of property, plant and equipment. Management tests for impairment annually to determine if long lived assets need to be written down to their realizable value. Management has determined that there has been no impairment of long lived assets during the Period.

### Construction in progress

The Fund limits additions to construction in progress to hard constructions costs, 3<sup>rd</sup> party planning, legal, permits and fees, fixturing and any other costs normally associated with building construction. Costs that would otherwise be treated as operational in nature for a pre-existing asset are included in the operating results for the Period for the new asset.

### Revenue recognition

Revenues from gaming operations consist of the Fund's share of the gaming wins pursuant to its operating agreement with Alberta Gaming and Liquor Commission and are recognized on a daily basis.

Revenues from hotel operations and food and beverage sales are recognized when services are rendered.

Revenues from rental operations are recognized in accordance with the lease agreements.

### Income taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unit holders or to the Fund unit holders. The Fund has established a policy to distribute all of its taxable income to unit holders on an annual basis.

### Joint venture

The Fund's investment in the Deerfoot Joint Venture is accounted for using the proportionate consolidation method.

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

## 4. Regulations

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming and Liquor Commission. The Fund has a letter of guarantee in favor of Alberta Gaming and Liquor Commission in the amount of \$51,000 for the purpose of purchasing liquor.

## 5. Note Receivable

Note Receivable	December 31	
	2005	2004
Promissory note and accrued interest	\$ 113,914	\$ 138,337
Less: current portion	26,450	24,423
Notes receivable	\$ 87,464	\$ 113,914
Estimated principal repayments are:		
2006	26,450	
2007	28,644	
2008	31,010	
2009	27,810	

Notes receivable consists of a single promissory note. The note is repayable in monthly installments of \$2,877 including interest at 8% per annum compounded monthly. The note receivable is secured by a general security agreement and hypothecation agreement. The note is due October 20, 2009.

## 6. Property, Plant and Equipment

The Deerfoot Joint Venture project was capitalized on December 1, 2005 including all financing and interest charges up to November 30, 2005. Interest capitalized from the Deerfoot Joint Venture project loan totals \$579,940 (2004 - \$nil) and interest capitalized from the Limited Partnership term loan totals \$215,653 (2004 - \$7,325). One month's amortization was recorded during the Period. No amortization has been recorded for the Boomtown expansion project.

2005	Accumulated		Net Book
	Cost	Amortization	Value
Land	\$ 3,915,757	\$ -	\$ 3,915,757
Land improvements	1,925,329	49,329	1,876,000
Buildings	26,154,082	1,561,105	24,592,977
Leaseholds	313,461	99,884	213,577
Furniture, fixtures and equipment	5,052,862	947,802	4,105,060
Construction in progress	1,536,844	-	1,536,844
	<u>\$ 38,898,335</u>	<u>\$ 2,658,120</u>	<u>\$ 36,240,215</u>

Construction in progress included only the Boomtown expansion project targeted for completion in the first quarter of 2006.



## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 6. Property, Plant and Equipment (cont.)

2004	Accumulated		Net Book
	Cost	Amortization	Value
Land	\$ 3,832,600	\$ -	\$ 3,832,600
Land improvements	962,987	28,466	934,521
Buildings	12,558,195	934,606	11,623,589
Leaseholds	273,147	57,855	215,292
Furniture, fixtures and equipment	1,966,033	549,078	1,416,955
Construction in progress	6,254,646	-	6,254,646
	<u>\$ 25,847,608</u>	<u>\$ 1,570,005</u>	<u>\$ 24,277,603</u>

Construction in progress includes \$2,165 in preliminary costs for the Boomtown Casino expansion. The balance of construction in progress represents the Fund's portion of the Deerfoot Joint Venture project.

Included in land improvements net book value \$107,426 (2004 - \$110,819), buildings net book value \$749,450 (2004 - \$810,187) and signs net book value \$11,519 (2004 - \$16,399) are assets that are rented to third parties.

Certain equipment and machines are provided by and owned by Alberta Gaming and Liquor Commission and have not been included in these financial statements.

### 7. Licenses

Licenses for Boomtown Casino and Great Northern Casino were originally acquired on June 1, 2003 through a plan of arrangement. The licenses are considered to have indefinite lives because they are expected to generate cash flow indefinitely. Licenses were originally granted based on an application for a Traditional Casino Gaming License through the Alberta Gaming and Liquor Commission. The application process is arduous, consisting of 8 steps. Licenses are renewed every three years following an exhaustive audit conducted by Alberta Gaming and Liquor Commission to test compliance with Alberta Gaming and Liquor Commission's regulated Terms & Conditions. The current term of the licenses expire June 30, 2008.

The Fund's business controls and procedures are designed to comply with all the Terms and Conditions and Alberta Gaming and Liquor Commission audit findings have consistently determined satisfactory outcomes.

### 8. Term Loan

The Fund originally arranged a \$7,000,000 term loan with the Canadian Western Bank ("CWB") for the purpose of financing contributing interest obligations to the Deerfoot Joint Venture. During the Period the Fund negotiated an increase of \$2,000,000 to this term loan bringing the total to \$9,000,000. As at December 31, 2005, the Fund was advanced \$4.8 million (2003 - \$2.3 million). Terms of the loan include a floating interest rate at 1.5% above CWB prime. This rate was 6.5% at December 31, 2005 (2004 - 5.75%). The repayment schedule allows for interest only payments to maturity of the loan in May, 2007. In January 2006, the remaining available \$4.2 million was drawn on the term loan. Security for the loan includes;

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 8. Term Loan (cont.)

- A promissory note
- General security agreement for first charge on Service Plus, Great Northern Casino and the Strip Mall.
- Demand collateral mortgage first charge in the amount of \$9,000,000
- Assignment of rents and leases
- Assignment of all risk casualty and liability insurance

## 9. Related Party Transactions

Related party transactions are measured at the exchange amount which is the amounts agreed to by the related parties. Related party transactions are non-interest bearing with no specific terms of repayments.

### Gamehost Management Inc.

Gamehost Management Inc. is controlled by David J. Will and Darcy J. Will. The company is compensated based on 2% percent of earnings before interest, income tax, depreciation and amortization ("EBITDA") as approved by the board of trustees. Management services paid during the year was \$335,240 (2004 - \$283,416). Included in accounts payable are amounts owing to Gamehost Management Inc. of \$44,273 (2004 - \$283,416).

### Winners Gaming Inc.

Winners Gaming Inc. is controlled by Darcy J. Will, a trustee of the Fund. During the year, the Fund paid \$263,420 (2004 - \$216,522) for services provided by Winners Gaming Corp. staff and expense reimbursements.

### DJ Will Holdings Limited

DJ Will Holdings Limited is controlled by David J. Will, a trustee of the Fund. During the year, the Fund paid \$4,490,634 (2004 - \$3,337,632) on Class B Partnership Units. The Fund also paid \$3,210 for other miscellaneous consulting fees. Included in unitholder distributions payable are \$1,538,570 (2004 - \$927,120) owing to DJ Will Holdings Limited.

### Will Air Ltd.

Will Air Ltd. is controlled by David J. Will, a trustee of the Fund. During the year, the Fund paid \$129,951 (2004 - \$nil) in air travel expenses. The company provides air services to the Fund pursuant to an agreement with Gamehost Management Inc. Included in accounts payable are amounts owing to Will Air Ltd. of \$32,565 (2004 - \$nil).

### Will Inns Ltd.

Will Inns Ltd. is controlled by David J. Will, a trustee of the Fund. During the year, the company paid \$25,500 (2004 - \$37,250) in trustee remuneration, \$17,046 in expense reimbursements (2004 - \$nil) and recovered \$21,366 of costs (2004 - \$nil). Included in accounts receivable is \$8,787 (2004 - \$nil) of recovered costs and included in accounts payable is \$11,850 (2004 - \$nil) consisting of trustee remuneration and other expense recoveries.



# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 9. Related Party Transactions (cont.)

### Boomtown Casino Ltd.

Boomtown Casino Ltd. is controlled by Darcy J. Will, a trustee of the Fund. During the year, the Fund paid \$882,000 (2004 - \$2,116,800) on Class B Partnership Units.

### Darcy Co. Holdings Ltd.

Darcy Co. Holdings Ltd. is controlled by Darcy J. Will, a trustee of the Fund. During the year, the Fund paid \$1,287,000 (2004 - \$nil) on Class B Partnership Units and \$29,000 on trustee remuneration (2004 - \$nil). Included in accounts payable is \$3,873 of unpaid trustee remuneration (2004 - \$nil) and included in unit holders distribution payable is \$639,000 of unpaid distributions on the Class B Partnership Units (2004 - \$nil).

### Jerry P. Van Someren Professional Corporation

Jerry P. Van Someren Professional Corporation is controlled by Jerry P. Van Someren, a trustee of the Fund. During the year, the Fund expensed \$11,250 (2004 - \$nil) in trustee remuneration. Included in accounts payable at December 31, 2005 is \$7,250 (2004 - \$nil) for unpaid trustee remuneration.

### Haim Insurance Ventures Ltd.

Haim Insurance Ventures Ltd. is controlled by James McPherson, a trustee of the Fund. During the year, the Fund expensed \$28,500 (2004 - \$39,750) in trustee remuneration. Included in accounts payable at December 31, 2005 is \$7,250 (2004 - \$nil) for unpaid trustee remuneration.

### JM Wood Investments Ltd.

JM Wood Investments Ltd. is controlled by Jed Wood, an ex-trustee of the Fund. During the year, the Fund expensed \$6,250 (2004 - \$33,250) in trustee remuneration.

### Bryan & Company

Tim Sebastian, a trustee of the Fund, is a partner in the firm of Bryan & Company. During the year, the Fund expensed \$25,500 (2004 - \$13,000) in trustee remuneration and \$25,457 (2004 - \$nil) in professional fees. Included in accounts payable at December 31, 2005 is \$8,000 (2004 - \$nil) for unpaid trustee remuneration.

### Cashtrac Systems Consultants Ltd.

Cashtrac Systems Consultants Ltd. is controlled by David Harrop, an ex-trustee of the Fund. During the year, the Fund expensed \$14,500 (2004 - \$33,250) in trustee remuneration and \$4,445 in consultation fees (2004 - \$2,351).

### Deerfoot Joint Venture.

The Fund's 40% proportionate share of the Deerfoot Joint Venture's related party transactions included in these financial statements are summarized separately in Note 17.

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 10. Distributions to Unit holders

The Fund declared distributions totaling \$14,282,778 for the Period (2004 - \$12,101,664). Distributions totaled \$2.03 per unit (2004 - \$1.72) which included regular monthly planned distributions of \$0.12 per unit for each of the twelve months and a special year end distribution of \$0.59 per unit. The December distribution of \$0.71 per unit is recorded as payable at the end of the Period. Following the end of the Period, trustees declared \$0.12/unit cash distributions for the months of January and February 2006. Significant dates for these distributions are set out below.

#### 2005 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-05	31-Jan-05	15-Feb-05	\$0.12
February	16-Feb-05	28-Feb-05	15-Mar-05	\$0.12
March	15-Mar-05	31-Mar-05	15-Apr-05	\$0.12
April	19-Apr-05	30-Apr-05	16-May-05	\$0.12
May	13-May-05	31-May-05	15-Jun-05	\$0.12
June	22-Jun-05	30-Jun-05	15-Jul-05	\$0.12
July	15-Jul-05	31-Jul-05	15-Aug-05	\$0.12
August	03-Aug-05	31-Aug-05	15-Sep-05	\$0.12
September	08-Sep-05	30-Sep-05	14-Oct-05	\$0.12
October	12-Oct-05	31-Oct-05	15-Nov-05	\$0.12
November	14-Nov-05	30-Nov-05	15-Dec-05	\$0.12
December	20-Dec-05	31-Dec-05	16-Jan-06	\$0.71

#### 2006 Subsequent Distributions

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-05	31-Jan-05	15-Feb-05	\$0.12
February	16-Feb-05	28-Feb-05	15-Mar-05	\$0.12

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 10. Distributions to Unit holders (continued)

#### 2004 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-04	31-Jan-04	15-Feb-04	\$0.12
February	16-Feb-04	29-Feb-04	15-Mar-04	\$0.12
March	15-Mar-04	31-Mar-04	15-Apr-04	\$0.12
April	21-Apr-04	30-Apr-04	17-May-04	\$0.12
May	18-May-04	31-May-04	15-Jun-04	\$0.12
June	17-Jun-04	30-Jun-04	15-Jul-04	\$0.12
July	08-Jul-04	31-Jul-04	16-Aug-04	\$0.12
August	11-Aug-04	31-Aug-04	15-Sep-04	\$0.12
September	20-Sep-04	30-Sep-04	15-Oct-04	\$0.12
October	21-Oct-04	31-Oct-04	15-Nov-04	\$0.12
November	18-Nov-04	30-Nov-04	15-Dec-04	\$0.12
December	17-Dec-04	31-Dec-04	14-Jan-05	\$0.40



## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 11. Class B Limited Partnership (LP) Units

An unlimited number of Class B Limited Partnership Units ("LP Units") may be created and issued pursuant to the Limited Partnership Agreement, as outlined in the Plan of Arrangement.

LP Units represent a partnership interest in Gamehost Limited Partnership and are exchangeable on an one-for-one basis into Fund Units. LP Unit holders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

The LP Units have the attributes of a minority interest position and have been reflected in these consolidated financial statements as such.

	2005		2004	
	Units	\$'s	Units	\$'s
Balance at the beginning of the period	3,787,800	\$ 38,306,640	3,787,800	\$ 37,970,276
Unit class conversions	(343,000)	(3,562,143)	-	-
Net income	-	7,812,935	-	6,851,381
Distributions to unit holders	-	(7,198,744)	-	(6,515,017)
Balance at the end of the period	<u>3,444,800</u>	<u>\$ 35,358,688</u>	<u>3,787,800</u>	<u>\$ 38,306,640</u>
Partners				
DJ Will Holdings Limited	2,167,800		1,577,800	
Will Inns Ltd.	-		740,000	
Boomtown Casino Ltd.	-		1,470,000	
Darcy Co Holdings Ltd.	900,000		-	
Vergouwen Investments Ltd.	147,000		-	
1068802 Alberta Ltd.	<u>230,000</u>		<u>-</u>	
	<u>3,444,800</u>		<u>3,787,800</u>	

During the period, limited partners converted 343,000 Class "B" Limited Partnership Units to Class "A" Fund Units for sale into the open market. To facilitate the sell, the certificate in the name of Boomtown Casino Ltd. was split into the names of the prorata owners.

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

## 12. Fund Units

All units were issued effective June 1, 2003. The weighted average of equivalent units outstanding for the period is equal to the units issued during the period. The Fund did not have any options, warrants, rights or convertible instruments which would be potentially dilutive during the period.

	2005		2004	
	Units	\$'s	Units	\$'s
Balance at the beginning of the period	3,248,051	\$ 30,517,093	3,248,051	\$ 30,200,980
Reorganization costs	-	-	-	27,679
Unit class conversions	343,000	3,567,752	-	-
Net income	-	7,527,402	-	5,875,082
Distributions to unit holders	-	(7,084,034)	-	(5,586,648)
Balance at the end of the period	3,591,051	\$ 34,528,213	3,248,051	\$ 30,517,093

During the period, limited partners converted 343,000 Class "B" Limited Partnership Units to Class "A" Fund Units for sale into the open market.

## 13. Commitments

### Operating leases

The Fund has certain commitments for office equipment as well as premise rent for one of its Casino locations that expires in 2020. At December 31, 2005, the future minimum commitment payments were as follows:

2006	\$ 865,080
2007	832,076
2008	817,919
2009	812,309
2010	790,163
Thereafter	7,758,960

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

## 13. Commitments (cont.)

### Boomtown Casino Expansion

The Fund is in the final stages of completion of an expansion project at Boomtown Casino. At initiation, the project was hoped to be completed by December 31, 2005. Project completion is now delayed to the end of the first quarter in 2006 due to a shortage of construction workers. The project is expected to be completed within the original budget of \$2.2 million. To the end of the Period, the Fund had incurred \$1.54 million (2004 - \$2,165) in costs.

### Deerfoot Inn & Casino Deerfoot Joint Venture

To the extent that further capital is required by the Deerfoot Joint Venture, the Fund is committed to a 47.75% Contributing Interest Responsibility. An Assessment Notice was issued to the Fund on February 15, 2006 for \$151,454.

### Term Loan

Interest and principal payments on a term loan taken to finance the Fund's Contributing Interest Responsibility to the Deerfoot Joint Venture are required monthly to the term end in May of 2007. Commitments are estimated as follows:

2006	\$	607,500
2007		9,253,125

### Project Loan

The project loan, taken by the Deerfoot Joint Venture, was issued with two segments:

- Segment (1) covers the interim period of construction, matures on March 31, 2006 and stipulates interest only payments. Interest on this segment is at prime plus 1.5% above the Canadian Western Bank prime lending rate. The effective annual interest rate was 5.25% (2004 – 4.75%)
- Segment (2) of the loan is a term facility for an unspecified period following the interim construction period.

Two options are available to the Joint Venture for this loan segment, both with a maximum amortization period of 15 years.

- The first, a floating interest rate at 1.0% above CWB prime with monthly payment of \$205,874 with no prepayment penalties; or
- The second, a five year fixed rate of 5.9%, payments of \$201,285 with prepayment penalties.

The Fund has recorded their proportionate share of the debt as disclosed in Notes 15 and 17 to these financial statements.



# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 14. Financial Instruments

### Fair value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, term debt, project loan, due to/from related parties and unit holders distributions payable approximate their carrying value due to the short term maturities of these instruments.

The book value of note receivable approximates its fair value. The fair value was established using discounted cash flow analysis, based on current borrowing rates for similar types of financing arrangements.

The fair value of the Class B Partnership Units approximates their fair value. The LP Units are, to the greatest extent possible, the economic equivalent to a Fund Unit. They are exchangeable by the holder on a one-for-one basis into Fund Units. As such, the LP Units are treated as being equivalent to Fund Units.

### Credit risk

The Fund, in the normal course of operations, monitors the financial condition of its customers. The Fund does not have significant exposure to any individual customer or counterparty. The Fund establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends or economic circumstances.

### Interest rate risk

The Fund is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate.

### Exchange rate risk

The Fund purchases some product from the United States. The Fund is exposed, in its normal course of operations, to exchange rate risk from foreign exchange rate fluctuations. Accounts subject to exchange rates are recorded at the exchange rate as at December 31, 2005 which may differ when the accounts are settled. Any differences in the settled amounts are recorded as part of sales or cost of sales.

It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### Industry risk

Service Plus in Grande Prairie is currently deriving 80% of its business from the energy sector. Being a significant portion of the properties overall business volume exposes the Fund to some industry risk.

Given the current and longer term prospects for the energy sector in northern Alberta, it is management's opinion that the Fund is not exposed to significant industry risk at the present time.

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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## 15. Guarantees

The Fund has entered into indemnification agreements with current trustees to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents management from making a reasonable estimate of the maximum potential amount the Fund could be required to pay counterparties. The Fund has purchased directors' and officers' liability insurance.

The Fund has granted an \$11.46 million limited liability guarantee to the Deerfoot Joint Venture to indemnify it in the event the Deerfoot Joint Venture does not perform its contractual obligations. As at December 31, 2005, the maximum potential liability under this guarantee was \$9.3 million. The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Fund's financial statements for the aforementioned items. The Fund has not charged a fee to the Deerfoot Joint Venture in regards to this guarantee.

The Fund, through Gamehost Limited Partnership has provided a guarantee to Royal Bank of Canada ("RBC") for its share, 54.42%, of a \$1.85 million line of credit taken by DJ Will Holdings Limited. The guarantee represents the Fund's Contributing Interest Responsibility for additional debt financing provided to the Deerfoot Joint Venture.

## 16. Progressive Jackpot Funds

Included in cash and cash equivalents is \$213,004 (2004 - \$425,056) and accounts payable is \$152,024 (2004 - \$384,097) relating to progressive jackpot funds. The progressive jackpot funds assets are not available for use for general operations but are set aside for any potential payout to progressive jackpot winners.

## 17. Investment in the Deerfoot Joint Venture

The Fund has invested in Deerfoot Inn & Casino Inc., a Joint Venture, which constructed and opened a hotel/convention/entertainment/gaming facility in Calgary, Alberta.

The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Interest in this joint venture. The Fund's consolidated financial statements include its Participating Interest in the assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, investing and financing activities of the Deerfoot Joint Venture.

The following statements report the Fund's 40% proportionate share of the Deerfoot Joint Venture's activities including a loss in the Deerfoot Joint Venture operations of \$1,164,519 for the Period.

The Fund is severally liable for all obligations of the Deerfoot Joint Venture in proportion to its Participating Interest or Contributing Responsibility as the case may be. All Deerfoot Joint Venture partners are contingently liable for obligations of the Deerfoot Joint Venture in situations where other Deerfoot Joint Venture partners are in default as defined by the Deerfoot Joint Venture Agreement. All of the assets of the Deerfoot Joint Venture are available for the purpose of satisfying any such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 17. Investment in the Deerfoot Joint Venture (cont.)

#### Deerfoot Inn & Casino Joint Venture

#### Balance Sheets

(Audited)

	twelve months ended December 31	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,403,991	\$ 441,384
Accounts receivable	296,865	364,579
Inventories	131,883	-
Prepaid expenses	119,920	-
	<u>2,952,659</u>	<u>805,963</u>
Property, plant and equipment	<u>17,201,083</u>	<u>8,001,958</u>
	<u>\$ 20,153,742</u>	<u>\$ 8,807,921</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,783,522	\$ 1,027,431
Project loan	9,292,035	-
Due to related parties	26,845	-
	<u>11,102,402</u>	<u>1,027,431</u>
<b>Equity</b>	<u>9,051,340</u>	<u>7,780,490</u>
	<u>\$ 20,153,742</u>	<u>\$ 8,807,921</u>



# Notes to Consolidated Financial Statements

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(Audited)

## 17. Investment in the Deerfoot Joint Venture (cont.)

### Deerfoot Inn & Casino Joint Venture Statements of Operations and Cash Flows

(Audited)

	twelve months ended December 31	
	2005	2004
Revenue		
Hotel – rooming	\$ 124,409	\$ -
Table games	246,275	-
Slot machines	384,345	-
Food & beverage services	540,288	-
Other	94,380	-
	<u>1,389,697</u>	<u>-</u>
Expenses		
Cost of goods sold	221,098	-
Human resources	914,456	-
Marketing and promotions	128,954	1,272
Operating	283,824	-
Corporate and general administration	186,812	2,061
	<u>1,735,144</u>	<u>3,333</u>
Earnings before amortization and income	(345,447)	(3,333)
Amortization	<u>(120,361)</u>	<u>-</u>
Net loss	<u>(\$ 465,808)</u>	<u>(\$ 3,333)</u>
<b>Cash Flows</b>		
Operating activities	\$ 253,400	(\$ 365,764)
Investing activities	(10,582,828)	( 4,898,979)
Financing activities	<u>12,292,035</u>	<u>5,694,708</u>
Increase in cash	1,962,607	429,965
Beginning cash	441,384	11,419
Ending cash	<u>\$ 2,403,991</u>	<u>\$ 441,384</u>

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 17. Investment in the Deerfoot Joint Venture (cont.)

#### Commitments and contingencies for Deerfoot Inn & Casino Joint Venture

##### Land Purchase

The joint venturers have signed an offer to purchase land in Calgary, Alberta from Telsec Development Ltd. for \$1,050,000 for use as a parking lot. Prior to the offer to purchase, the joint venturers signed a five year operating lease for the same piece of land from Telsec Developments Ltd. The term of the lease is from September 1, 2004 to August 31, 2009 at \$7,000 per month. The lease expires when the land becomes rezoned and the offer to purchase takes effect. This is expected to take place in first quarter of 2006.

The Fund's share of the commitments would be \$420,000 being 40% of the land purchase.

##### Other

The Joint Venture has entered into other arrangements in the normal course of business for equipment. The Fund's 40% proportionate shares of the commitments are as follows:

Year	
2006	\$ 120,492
2007	25,593
2008	23,977
2009	21,022
2010	10,979
Thereafter	<u>8,965</u>
	<u>\$ 211,028</u>

##### Management Agreement

The Joint Venture has a management agreement with 1016312 Alberta Ltd. 1016312 Alberta Ltd.'s shareholders are David Will and Darcy Will, who are also shareholders of the venturers of the Joint Venture and are Trustee's of the Fund. The management agreement stipulates that 1016312 Alberta Ltd. is entitled to a percentage of the gross revenues plus a percentage of any operating profit of the Joint Venture. For the year ending December 31, 2005, \$52,114 was accrued as management fees.

The Funds 40% proportionate share has been recorded at \$20,846 and is part of due to related party balance as disclosed to these financial statements.

##### Contingencies

The Joint Venture is party to a claim arising in the normal course of operations. The Joint Venture does not expect the resolution of this matter to have a materially adverse effect on the financial position or results of operations of the Joint Venture. No provision for this claim has been made in these financial statements. Should a loss result from these claims, such loss would be accounted for as an expense in the period in which the loss is determined or can be reasonable estimated.

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

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### 17. Investment in the Deerfoot Joint Venture (cont.)

#### Related party transactions

During the year, the Joint Venture entered into transactions with related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Fund's 40% proportionate share of related party transactions are summarized as follows:

#### Will Inns Ltd.

Will Inns Ltd. is controlled by David J. Will a trustee of the Fund. During the year, the Joint Venture paid \$11,507 (2004 - \$nil) for expense reimbursements. Included in accounts payable and accrued liabilities is \$7,416 (2004 - \$nil).

#### Boomtown Casino Ltd.

Boomtown Casino Ltd. is controlled by Darcy J. Will – a trustee. During the year, the Joint Venture paid \$12,606 (2004 - \$nil) for expense reimbursements. Included in accounts payable and accrued liabilities is \$12,606 (2004 - \$nil).

#### Will Air Ltd.

Will Air Ltd. is controlled by David J. Will, a trustee. During the year, the Joint Venture paid \$5,440 (2004 - \$nil) for air travel. Included in accounts payable and accrued liabilities is \$1,180 (2004 - \$nil).

#### Winners Gaming Inc.

Winners Gaming Inc. who is controlled by Darcy J Will– a trustee was paid \$58,992 (2004 - \$nil) for expense reimbursements. Included in accounts payable and accrued liabilities is \$8,800 (2004 - \$nil).

#### DJ Will Holdings Limited

DJ Will Holdings Limited is controlled by David J. Will, a Trustee. During the year, the Joint Venture paid \$1,758 (2004 - \$nil) for expense reimbursements. Included in accounts payable and accrued liabilities is \$5 (2004 - \$nil).



# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

## 18. Segmented Information

The Fund's operations are predominantly in the hotel accommodation and gaming industries. The Fund derives its revenues from marketing its services in Western Canada. The hotel division includes the hotel operations of Service Plus and the Deerfoot Joint Venture as well as lease revenue from the Strip Mall. The gaming division includes the operations of Great Northern Casino, Boomtown Casino and the Deerfoot Joint Venture. Food, beverage and entertainment functions are carried out within casino and hotel facilities but have their own management. General Administration includes administration of the Fund, the Trust and the Limited Partnership and operating costs from the Deerfoot Joint Venture up to November 30, 2005 and some non-allocated general administrative expenses at the Deerfoot Joint Venture beginning December 2005.

Hotel	Audited Q4 twelve months			Un-audited Q4 three months			Un-audited Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Total revenue</b>	<b>4,360</b>	<b>3,591</b>	<b>21.4%</b>	<b>1,256</b>	<b>925</b>	<b>35.9%</b>	<b>1,095</b>	<b>14.8%</b>
<b>Operating Expenses</b>								
Cost of goods sold	60	62	(3.3%)	16	17	(3.7%)	16	(2.8%)
Human resources	935	751	24.5%	328	202	62.4%	186	76.6%
Marketing and promotions	158	147	7.2%	61	37	62.8%	33	83.5%
Operating	575	448	28.5%	257	117	120.4%	112	130.4%
Other	266	236	12.7%	98	63	55.3%	59	66.0%
	<b>1,994</b>	<b>1,644</b>	<b>21.3%</b>	<b>760</b>	<b>436</b>	<b>74.4%</b>	<b>406</b>	<b>87.2%</b>
<b>Operating earnings before amortization</b>	<b>2,366</b>	<b>1,947</b>	<b>21.5%</b>	<b>496</b>	<b>489</b>	<b>1.5%</b>	<b>689</b>	<b>(27.9%)</b>
Casino	Audited Q4 twelve months			Un-audited Q4 three months			Un-audited Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
<b>Revenue</b>								
Tables	4,596	4,204	9.3%	1,342	1,028	30.5%	1,044	28.6%
Slots	14,130	11,385	24.1%	4,090	3,038	34.6%	3,571	14.5%
Other	2,353	1,922	22.4%	677	512	32.1%	567	19.3%
<b>Total revenue</b>	<b>21,079</b>	<b>17,511</b>	<b>20.4%</b>	<b>6,109</b>	<b>4,578</b>	<b>33.4%</b>	<b>5,182</b>	<b>17.9%</b>
<b>Operating Expenses</b>								
Cost of goods sold	70	2	-	70	-	-	-	-
Human resources	4,077	3,273	24.6%	1,521	859	77.1%	855	78.1%
Marketing and promotions	613	304	101.5%	379	96	293.4%	85	343.5%
Operating	2,736	1,286	112.7%	1,637	365	348.3%	353	363.9%
Other	345	194	77.0%	222	46	378.4%	49	349.4%
	<b>7,841</b>	<b>5,059</b>	<b>55.0%</b>	<b>3,829</b>	<b>1,367</b>	<b>180.2%</b>	<b>1,342</b>	<b>185.4%</b>
<b>Operating earnings before amortization</b>	<b>13,238</b>	<b>12,452</b>	<b>6.3%</b>	<b>2,280</b>	<b>3,212</b>	<b>(29.0%)</b>	<b>3,840</b>	<b>(40.6%)</b>
(in thousands of dollars unless stated otherwise)								

# Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

## 18. Segmented Information (continued)

Food & Beverage	Audited Q4 twelve months			Un-audited Q4 three months			Un-audited Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Total revenue	5,537	4,051	36.7%	1,973	1,199	64.6%	1,208	63.3%
Operating Expenses								
Cost of goods sold	2,086	1,581	31.9%	711	466	52.8%	465	53.0%
Human resources	1,191	969	22.9%	434	255	69.9%	253	71.3%
Marketing and promotions	13	203	(93.6%)	-143	64	(323.7%)	57	(352.1%)
Operating	85	857	(90.1%)	-648	243	(366.1%)	235	(375.4%)
Other	75	129	(42.3%)	-6	31	(120.0%)	33	(118.7%)
	3,450	3,739	(7.8%)	348	1,059	(67.1%)	1,043	(66.6%)
Operating earnings before amortization (in thousands of dollars unless stated otherwise)	2,087	312	571.0%	1,625	140	1065.4%	165	883.2%

General & Admin	Audited Q4 twelve months			Un-audited Q4 three months			Un-audited Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Total revenue	110	93	17.4%	36	43	(16.0%)	29	26.3%
Operating Expenses								
Cost of goods sold	-	-	-	-	-	-	-	-
Human resources	934	792	17.9%	177	322	(44.8%)	302	(41.3%)
Marketing and promotions	29	39	(26.3%)	1	11	(94.0%)	11	(94.0%)
Operating	-	60	(100.0%)	-	60	(100.0%)	-	-
Other	411	159	158.8%	18	-37	(148.0%)	164	(89.1%)
	1,374	1,050	30.9%	196	356	(44.8%)	479	(59.0%)
Operating earnings before amortization	(1,264)	(957)	32.2%	-160	(313)	(48.8%)	(480)	(64.4%)
Amortizations	1,088	1,028	5.8%	383	260	47.5%	235	63.0%
Earnings after amortizations (in thousands of dollars unless stated otherwise)	(2,352)	(1,985)	18.5%	-543	(573)	(5.1%)	(683)	(20.7%)

## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 18. Segmented Information (continued)

Total	Audited Q4 twelve months			Un-audited Q4 three months			Un-audited Previous Quarter	
	2005	2004	+(-)	2005	2004	+(-)	Q3 2005	+(-)
Total revenue	31,085	25,246	23.1%	9,374	6,745	39.0%	7,514	24.8%
Operating Expenses	14,657	11,491	27.5%	5,133	3,217	59.5%	3,270	57.0%
Operating earnings before amortization	16,428	13,755	19.4%	4,241	3,528	20.2%	4,244	(0.1%)
Amortizations	1,088	1,028	5.8%	383	260	47.5%	235	63.0%
Earnings after amortizations (in thousands of dollars unless stated otherwise)	15,340	12,727	20.5%	3,858	3,268	18.1%	4,009	(3.8%)



## Notes to Consolidated Financial Statements

twelve month period ended December 31, 2005

(Audited)

### 18. Segmented Information (continued)

Property, plant and equipment and intangibles	Audited Q4 twelve months 2005		
	2005	2004	+(-)
<b>Hotel</b>			
Goodwill and licenses	4,579.2	4,579.2	0.0%
Working assets	16,762.4	8,948.8	87.3%
Work-in-progress	-	4,446.8	(100.0%)
	21,341.6	17,974.8	18.7%
<b>Casino</b>			
Goodwill and licenses	41,500.0	41,500.0	0.0%
Working assets	13,040.9	5,277.4	147.1%
Work-in-progress	1,536.8	2,426.3	(33.7%)
	56,077.7	49,203.7	14.0%
<b>Food &amp; Beverage</b>			
Working assets	7,398.0	3,428.0	115.8%
Work-in-progress	-	1,213.5	(100.0%)
	7,398.0	4,641.5	59.4%
<b>General Administration</b>			
Working assets	160.2	106.8	50.0%
	160.2	106.8	50.0%
<b>Total</b>			
Goodwill and licenses	46,079.2	46,079.2	0.00%
Working assets	37,361.5	17,761.0	110.4%
Work-in-progress	1,536.8	8,086.6	(81.0%)
	84,977.5	71,926.8	18.1%

Property, plant and equipment and intangibles at NBV <sup>2</sup>	Audited Q4 twelve months 2005		
	2005	2004	+(-)
<b>Hotel</b>	20,091.7	12,780.6	57.2%
<b>Casino</b>	53,728.4	46,254.4	16.2%
<b>F&amp;B</b>	6,864.8	3,169.6	116.6%
<b>General &amp; Admin</b>	97.7	64.9	50.6%
<b>Work-in-progress</b>	1,536.8	8,087.2	(81.0%)
	82,319.4	70,356.7	17.0%

(in thousands of dollars unless stated  
otherwise)

<sup>2</sup> Net Book Value

**Trustees**

David J. Will  
Darcy J. Will  
James McPherson  
Tim Sebastian  
Jerry P. Van Someren

**Officers**

David J. Will, CEO  
Darcy J. Will, President  
Craig M. Thomas, CFO  
Elston Noren, COO

**Legal Council**

Johnson, Ming, Manning, LLP  
3rd Floor, 4943 Ross Street  
Red Deer, Alberta, T4N 1Y1

**Audit Committee**

James R. McPherson  
Darcy J. Will  
Jerry P. Van Someren

**Joint Compensation and Governance Committee**

James R. McPherson  
Jerry P. Van Someren  
Tim Sebastian

**Head Office**

#400, 4406-50 Avenue  
Red Deer, Alberta  
T4N 3Z5

**Bankers**

Canadian Western Bank  
5013-49 Avenue  
Red Deer, Alberta, T4N 3X1

**Auditors**

Heywood Holmes & Partners LLP  
Chartered Accountants  
500, 4911-51 Street  
Red Deer, Alberta, T4N 6V4

**Transfer Agent**

Computershare Trust Company  
of Canada

**Stock Exchange Listing**

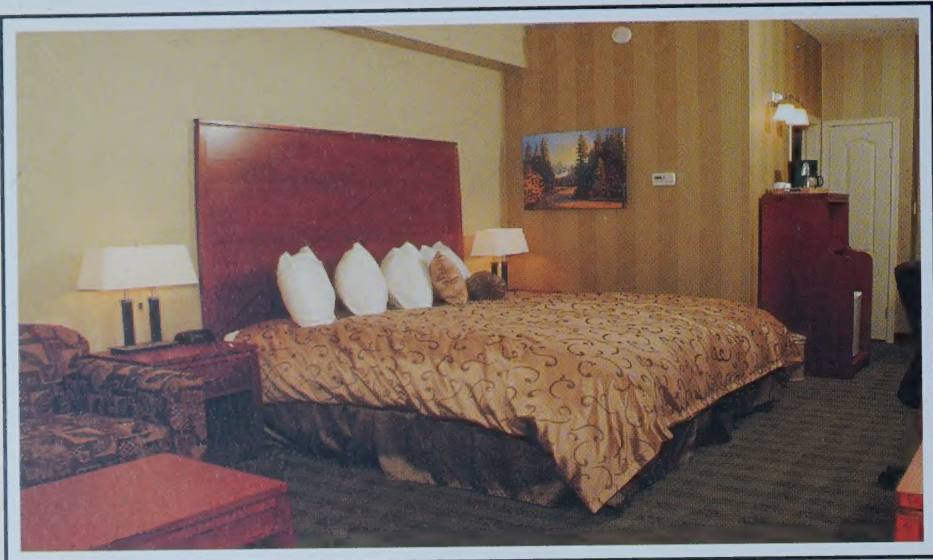
TSX Venture Exchange  
Trading Symbol — GH.UN

**Investor Relations**

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Most current financial information can be found at [www.sedar.com](http://www.sedar.com)





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